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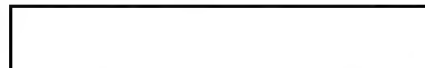
TO :
THRU :
FROM :



26 January 1954

SUBJECT: Iron Deposits and Possible Steel Production near
Paotow, Suiyuan.

REFERENCE: Peking Broadcast, 13 January 1953,



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1. Iron ore deposits have been known for many years to exist around Pai-ling-miao, about 90 miles from Paotow. Previous estimates by the China Geological Survey placed the total of such deposits at 34 million metric tons of high grade ore. Japanese explorations placed the deposits at 60 million metric tons. These were not entirely proved deposits, as testing the deposits in depth and extent ordinarily would not occur until a careful geological survey were made in preparation for an engineering study to determine the feasibility of mineral exploitation for a definite mining and metallurgical project. It is possible, therefore, that Chinese and Russian geologists have undertaken the geological survey and have proved additional ore deposits, since the Soviets have agreed to aid the Chinese in the construction of a major steel plant at Paotow. The reference broadcast indicates that the iron deposits are sufficient to warrant the building of another steel production center at Paotow comparable to that of Anshan. If the steel combine envisaged for Paotow is in fact to be comparable to that of the Anshan complex and based on iron deposits of similar magnitude, it would mean that geological proving has established the existence of total deposits in the Pai-ling-miao neighborhood of as much as 3.5 billion tons, which of course is unlikely. Reasonable exploitative planning might provide for a fifty-year steel production of 1 million tons per annum, which would require proved deposits of 100 million tons of 50 percent Fe content or equivalent.

2. In 1946-1947, the Arthur J. McKee Company of Cleveland made an engineering survey for the construction of an iron and steel plant at Tayeh for the National Resources Commission. On the basis of proved reserves in the area at that time, they estimated that deposits in the area, including ore from Hainan Island, were sufficient to support a steel plant at Tayeh with a 1 million ton ingot capacity for fifty years, and additional ore could be brought from Hainan Island to support this operation. The plant envisaged for construction at that time was to have a capacity 1.2 million tons of ingot, and 875,000 tons of finished steel per annum. McKee estimated that it would take five years to build. The Tayeh plant is included in the Soviet agreement to aid Communist China's development.

3. The development of the iron deposits at Pai-ling-miao would necessitate the construction of a railroad from Paotow. Intelligence reports have indicated that the Chinese have completed surveying for

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the building of a railroad from Paotow to Pai-ling-miao, near the site of the iron mines. This may be part of the contemplated line to Ulan Bator in Mongolia, which would connect with the Trans-Siberian. It is possible that this part of the construction may be expedited in preparation for exploitation of the iron deposits and the metallurgical combine to be constructed at Paotow. A further report on this railroad construction is appended.

4. Coal. The Tatung coal field is one of the largest, if not the largest coal field in China. The coal is classified as bituminous. It is of good grade and, while generally considered more suitable for general industrial use than for coking, it is believed to have coking possibilities. Present planned production is 1,000,000 tons per year. The area of the coal field was said [redacted] to be 1,241 square kilometers. Tatung coal reserves were estimated [redacted] at 9,600,000,000 tons which they believed made it the largest single coal reserve in China.

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5. Manganese. Based on prewar surveys, the estimated manganese reserves of China are 30,000,000 T.T. or ore of which 20,000,000 is considered high grade and located in the south and south central provinces. Reserves of this quantity and quality can sufficiently supply China's present or expanded steel industry for many years to come.

6. Mercury. A large number of small-size mercury deposits are known to exist over a wide area throughout Southwestern and Central China. Any recent efforts at prospecting could have developed deposits of equal scatter but no major deposit of unusual richness or size appears to be indicated in this announcement. The productive contribution from any new deposits will probably add only slightly to the economy of Communist China and provide only a minor addition to the Soviet Bloc military preparations.

7. Copper. Ministry of Geology plans for exploration in 1953 required expanding geological efforts some ten to twenty times that of the prior, limited activities. Therefore, the discovery of copper deposits to some 22 percent beyond its established targets is fairly probable. However, since this refers to individual discoveries and on unspecified target rather than to tonnage estimates, the importance of this announcement is indeterminate. Aid of Soviet educators and engineers are known to have contributed to this exploratory effort. Any substantial discoveries could eventually be significant to a country which has only a comparatively minor production at the present time. However, considerable time lag can be expected between the indicated discovery and development to a point of relatively large-scale production. Technical know-how is presently at a low level.

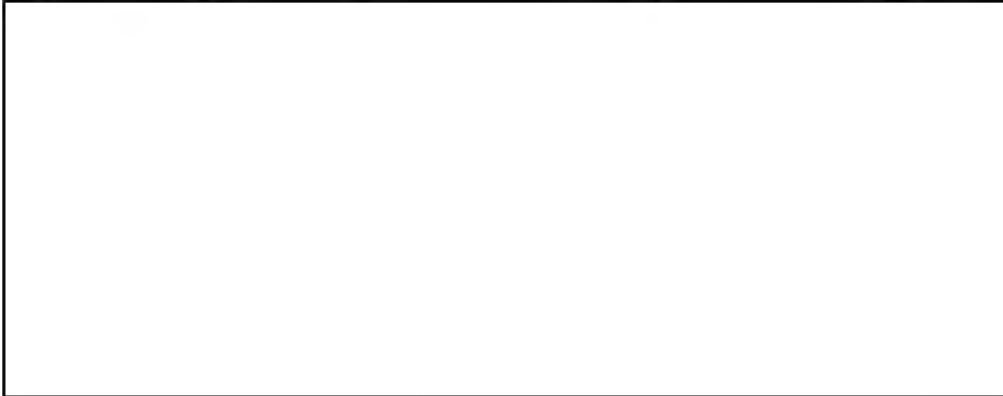
8. Lead and Zinc. As in the case for copper, increased exploration for lead and zinc has no doubt led to increased discoveries but quoting these in terms of individual deposits and in reference to

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an undisclosed target is not informative. If substantial exploration gains had been made it is expected that mention would have been made of tonnage estimates or inferred reserves. The figure of 67 percent surpassing of the metal discovery target by itself cannot be evaluated.

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